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Evans, Henry

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Box 61

**The Vital Relation of Insurance
to Banking and Shipping in the
World's Trade after the War.**

America Fore

(Addressed to Bankers, Capitalists, Shippers and
Producers of Trade Commodities.)

Submitted by
Henry Evans, President
American Eagle Fire Insurance Company
Continental Fire Insurance Company
Fidelity-Phenix Fire Insurance Company
80 Maiden Lane, New York City

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Feb. 1, 1919 H.E.V.

The matter herein presented is, in its whole aspect, the future of World's Trade at the conclusion of this war, from the standpoint of insurance opportunities. At that time the United States will probably be the largest creditor nation, possessing the greatest resources in immediate sight for conversion and realization, and for the first time in more than half a century will have in hand a merchant shipping sufficiently large to enable American business interest to carry in its own bottoms much of the vast commerce that will be immediately released for the rehabilitation of the exhausted nations.

The economic proposition at the base of the foreign trade of every nation is the union of banking, shipping and insurance strength. In the absence of any one of the three the other two factors will be exposed to weakness that will inevitably bring waste or loss, if not failure. Great Britain has commanded the foreign trade of the world because she has financed it herself, carried it herself, and protected both its credit and its losses by insuring every dollar of her own trade, when possible, with her own insurance. Germany, before the war began, was enormously extending her foreign commerce by exactly the same means. Behind German banking, shipping and insurance stood the whole financial power of the Imperial Government. In Great Britain it is the other way around. There the great banking, shipping and insurance interests in every trading port of the world stand behind the government at home. Japan,

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which is taking advantage of the war to enlarge her commerce, is following the German plan, with her insurance facilities not yet fully provided, but depending largely for them on her British ally; although a great share of it comes to America, if it is American business.

The above are facts, not suggestions. It is not the purpose to present arguments herein so much as to set down facts which will yield their own suggestions for consideration, and suggestions which may develop into facts.

Chief among the latter is the suggestion as to the attitude of the various nations toward world trade at the conclusion of the war, whether or not that be far distant. You will have noticed that, in his answer to the peace note of the Pope, President Wilson has in positive terms, as far as diplomatic restraint permits him to say it, laid down demands for a world democracy of trade in open international competition. Here is his proposition:

"Punitive damages, the dismemberment of empires, the establishment of selfish and exclusive economic leagues we deem inexpedient and in the end worse than futile; no proper basis for a peace of any kind, least of all for an enduring peace. That must be based upon justice and fairness and the common rights of mankind."

Comments upon this program by the associates of the United States in this war have been very guarded. In all matters of trade and foreign enterprise we know that England stands always firmly upon her centuries of experience, which she applies without sentiment but with energy, courage and tenacity. What she determines to do with respect to world trade after the war will go far toward fixing the status of the competition. Great Britain's experience and long established connections in world trade suggest that she will continue the leading competitor the moment peace opens the doors

to trade resumption. Her political and trade statesmen alike have been studying the problem from the attitude of final peace under the financial burdens imposed by the war. Lord Cromer, the greatest British fiscal administrator, discussing the necessity for revenue after the war (the necessity for which increases daily) said a year ago that Free Trade would have to yield its objection to a general tariff to the political necessity for the colonies to be brought into closer relations with the Imperial Government through a preferential treatment of their products as against those of outside nations. Said he:

"Such a tariff, or something very like it, will now have to be created for revenue purposes. It will be quite impossible to meet the whole of the heavy burdens thrown upon us in consequence of the war by a resort solely to direct taxation."

The inevitable suggestion is that Great Britain will make an experiment in tariff for revenue only with preferences to her colonies, which will have some effect as a protective tariff against other nations. With that exception Great Britain expects to continue her trade policy of centuries, and none of her authoritative statesmen in commenting on President Wilson's peace note, has traversed the general proposition of Lord Cromer.

To the extent of a general tariff with preferentials it is suggested that Great Britain will approach the conditions of foreign trade that will exist in the United States when the protective tariff that has been revised downward can come into free play. This tends to bring the two great democratic English-speaking nations into competition under terms somewhat comparable.

If they had only each other to deal with, then National American political policy could address itself sole-

ly to the task of enabling the enormous productive and commercial resources of the United States to qualify for the competition that would ensue. But the competition will not be so confined.

German economists are planning no less actively than those of Great Britain. There, it might be thought, the planning would hinge upon the character of the peace that will be reached. But, so far, all of Germany's productive and business activities have been conducted on the basis of paternalism, with the government in the attitude of a trust to furnish the needed support, which is always forthcoming when adventurers into business fields can show competent management and good prospects. Considering how Germany has prospered and how enormously its foreign trade had grown in the past forty years, the suggestion is natural that whatever changes of political form come with peace, German statesmen and the German people will continue their government-backed financial policy in their foreign trade. Japan seems to be imitating that policy, increasing her banking facilities abroad, enlarging her shipping, developing her insurance, establishing new manufactures and productive industries—preparing for every eventuality while the rest of the world is busy with war.

Here we have the four main competitors lined up for the future world's trade: Great Britain, the best equipped; the United States, with vast potential strength; Germany and Japan on very different lines. However the war may conclude, nothing can remove the popular necessities or long restrain the national demands of these four countries, not one of which is in decadence. It is reasonable to expect, therefore, that with her unrivaled experience and connections Great Britain will be in an attitude to influence largely the terms of trade competition, subject to modification by the power of the

centralized and paternalistic governments of Germany and Japan. The ultimate control would, then, it would seem, lie within the province of the United States to command, with her incalculable wealth and productive powers in full action. It is the great opportunity of history, not to be overlooked.

Already there are signs of preparation for extending foreign trade for the United States, about which you are probably better informed than I, since they refer particularly to the selling, banking and shipping ends. For instance, the announcement by the American International Company of a new subsidiary to engage in the exportation of steel and its products. It comprehends the establishment of offices at London and Buenos Aires at first, with others to follow in the principal ports and cities of the world. Dow, Jones & Company explain its purposes:

"The new corporation intends to develop a foreign selling organization so that this, combined with its financial and shipping connections, will bring the foreign buyers and the American steel manufacturers into much closer relations than have existed heretofore."

Unless American insurance accompanies these other facilities it is inevitable that every ton of the steel exported and the exchange cargoes returning will pay toll to foreign insurance interests that will comb out profits in close competition. At equal rates the mere holding of insurance premiums in the United States will fertilize the export business and to the extent of their volume compound its strength, besides imparting a national spirit of independence to Americans scattered abroad that will cultivate respect for and fear of American influence, so much needed to support an international trade. It is strongly indicative of the truth of what I say as to the necessity of preparing to proceed with

banking and insurance, that the New York University has established a series of lectures to be given by practical men to the students on the subject of Marine Insurance.

In the midst of the war we find England and Germany planning for great post-war shipping enterprises. "The Americas," publication of the National City Bank says of them:

"The real problem, as men who are in touch with what is being done with building the new mercantile navy now see it, is to provide for the time of peace after the war, when a very important element in the international contest for commerce is going to be the organization of systems of navigation along national lines. England and Germany are both preparing for this. Germany has recently announced a policy of subsidy to encourage rebuilding of merchant ships. * * *

"There is reason for believing that the British shipping interests hope for Government cooperation in a program of large dimensions in which the cargo-seeking 'tramps' of 10,000 tons dead-weight capacity, which shipping experience calls most economical for peacetime trade, and giant steamships (or motorships) running on regular lines and advantaged by having preference and privilege in a system of harbors strategically placed in all parts of the Empire, will first serve the behests of British Commerce.

"In England it is predicted that our development of future shipping is to take the form of regular lines of great, fast steamers and of special fleets owned by single corporations and combinations of them which will be used as delivery system, perhaps offering some public service also. We do not do much with the 'tramps,' in English opinion."

The article also explains and discusses the school of Instruction that is preparing officers to command the emergency fleet now constructing for war-time operations, which will be the nucleus of American merchant shipping after the war.

Similar preparations are being made both in Great Britain and Germany to provide the insurance protection that they know by experience is so necessary to the protection of banking and shipping. "The Insurance Field," of Louisville, a leading paper in the insurance trade, has the following news in connection with a warning to American underwriters to organize for ocean marine business:

"The importance of the ocean marine business must not be underestimated. It conserves and protects all the rest and is the very ark of the covenant of all foreign trade of every country—without it trade withers. In the past half a dozen years there has been a steady absorption by British fire, life and casualty companies (and most big British companies write all these) of the marine companies of the Kingdom. Since the war began the Scottish Union & National has purchased the Maritime; the North British & Mercantile has purchased the Ocean Marine; the Northern has taken over the Indemnity Mutual Marine, The Phoenix of London owns the Union Marine, while the London & Lancashire (which already owns the Reliance Marine and Standard Marine) has this year acquired the Marine of London. With the Royal owning the British & Foreign Marine, the Yorkshire possessing the London & Provincial Marine, it will be seen that Great Britain's far-seeing business statesmen are getting ready for the great business contest."

NOTE—There may be errors as to individual ownerships in the list, but the whole substance of the statement is entirely true.

It may be added that other mergers and purchases are now in process of negotiation in England.

The Munich "Neueste Nachrichten," a leading German newspaper, gives the following summary of what German capitalists are doing with similar ends in view (translation in the "Journal of Commerce"):

"German insurance has been able to maintain itself during the three years of war without the aid of moratoria or similar protection, and is at present actively en-

gaged in fortifying itself for the struggle after the war for the covering of all German requirements for insurance without recourse to the international market, or at any rate, to enemy countries.

"In transportation insurance the insurers have long ago deduced for the economic measures adopted in enemy countries the necessity of so strengthening their position as to be able to take the largest risks independently of the international market. Hence the new foundations, especially in the seaport towns (Hamburg, Bremen, Lubeck, Stettin); and the amalgamations, partly in the form of complete coalescence, and partly in the looser form of community of interests. In either case, the motive is extension of business and reduction of outlay, as well as the desire to secure the support of a larger concern.

"The same tendency to expansion also manifests itself in the insurance of goods. Furthermore, a large number of fire insurance companies, having increased their guarantee funds, are devoting themselves to transport insurance, while many transport insurance companies are adding fire insurance to their activities. By the most inconsiderable increase in the number of insurers in both these branches, the possibilities of German insurance business are enormously extended, and German insurance is thereby made independent of the international, and especially of the English market.

"The movement for the expansion of German insurance has led shipping and trading circles to think of uniting individual insurers into an organization similar to Lloyds in London. Whether this scheme will be realized remains to be seen. More welcome, because more in accord with actual requirements, is the new venture started on June 1, 1917, for providing shipping intelligence, which is another practical expression of Germany's desire to *free herself from London*.

"In fire insurance similar tendencies toward fusion and amalgamation, as well as the augmentation of guarantee funds, are observable."

Conditions after the war having been suggested for your consideration, it is proper to turn to the potentialities

of the United States for entering upon the world's trade and controlling a share of it in every way commensurate with our productive and distributing capacity. Of production there is, for conditions likely to exist for the future, practically no limit. Our distributing capacity, which implies exchanges, will be exactly what the business genius of the country, aided by adequate laws, makes it. We must assume that political genius will cooperate with business genius and as far as possible provide laws that will give freedom to American enterprise in establishing American competition in every quarter of the world where our products can be exchanged profitably for those of other countries.

First of all, our distributing capacity will depend absolutely upon the union and cooperation of American banking capital, American shipping and American insurance. All these must start together, continue together and grow together until, like the Britons and Germans, American merchants and traders can, wherever they go for business, find near at hand the support of American money and institutions and the backing of American national pride under the flag. No American who has traveled, or who has had in his business to meet foreign competitors, can have failed to recognize the national spirit of Britons and Germans which everywhere brings them to the support of their own business enterprises and institutions as against all others. Under equal conditions everywhere they give their business to their own nationals. This is not true of Americans—not that they are less patriotic, but because they cannot be assured of American support and the presence of American representatives everywhere, and so Americans learn unconsciously to depend upon other facilities that they know are world-wide in existence. As the British speak our language and are most nearly allied with

us in their traditions, it has followed that Great Britain has largely been the financier of Americans in foreign countries, has carried our commerce over seas, and furnished our insurance to a large extent even in this country itself—almost wholly in the foreign carrying trades. Other nations and ourselves get only the excess of this and usually the unprofitable part.

You are yourselves entirely familiar with the banking resources of the United States and know how they may be extended in trade pathways. On the shipping question you can command the views of experts. I only suggest that, as the Shipping Board has wisely resolved to construct all-steel ships for the war emergencies, the end of the struggle will find the United States in possession of a merchant fleet that can be put to immediate use to build up our world's trade. If we are not prepared to precede it and follow it with banking and insurance facilities, not only will the fleet be dispersed at a great National loss, but all the potentialities of the National wealth and energy that can be employed in world's trade will be lost with the fleet.

We are now practically pledged to the investment of \$21,000,000,000 in the war, of which one-half will probably be repayable as loans. The other half will be a financial waste unless the military and naval power that it builds up for us is to be accompanied by the extension of National trade. You know quite well if the United States is merely to wait patiently for the repayment of her loans to other nationals, that repayment will surely be made out of profits they make out of us in our own trade, or out of trade that will be theirs merely because we resign it to them without an effort to control it. As a business proposition we might better afford to lose the loans than to resign the enormous values in a world's trade. Without speculating at all upon the

probabilities of the migration of populations after the war, we must face the problem of an enormous increase of population in the United States in the next generation and must lay the foundations for employment and support of more than two hundred millions of people, the working factors and productive capacity of which are increasing steadily through the entrance of women into all avenues of occupation. And we must take care to make that great industrial population the best rewarded in the world. This is going on elsewhere amongst all our competitors and the United States cannot without disaster attempt to remain stationary or even merely to hold her own. These suggestions are offered because as business men we must look to the future before the problems that will surely arise shall force themselves upon the unprepared attention of those responsible for governmental policies. If business does not pioneer the way for liberal laws such laws will not be enacted.

My main purpose is to put before you the opportunities and ramifications of insurance capital in the world's trade. It fulfills the very vital purpose of protecting and stabilizing the banking, commercial and shipping factors.

It is well known that the English banks in South America and all over the world, appreciating the necessity of insurance as a complement of banking and shipping, established for themselves a ready market with which to provide this insurance to those with whom the banks did business. A limited underwriting facility for marine and fire insurance, (limited in conditions, but not in amount) was given to these branches of the London banks by the insurance offices in London, and when loans were made on property, let us say, in South America, they were made upon the condition that the

banks should furnish the insurance. Say, for example, a man requested a loan on standing crops; this was made by the bank and the fire insurance policies protecting the loan issued by the bank, and the marine insurance when the grain was exported also issued by the bank. Thus it has occurred that many branch banks do a large and profitable business in insurance as well as in banking, and they have the advantage at the same time of knowing that their insurance is properly secured in responsible companies. We have never, up to the time of the war and the time of the extended foreign interests of our own banks, been in a position to induce American underwriters to enter these fields, because there have been no branch banks with whom they could affiliate except foreign branch banks. Now that the American banker is going into the foreign field he must take with him his American insurance companies, and the American company is not loath to enter this field if it can have with it its complement, the banking institution.

Insurance furnished by competitors can be used to comb the profits out of any trade. It has recently been done in the present war emergency. American companies having outstanding contracts with shippers to furnish ocean marine insurance found themselves deprived of reinsurance facilities by the President's proclamation forbidding such transactions with German companies. In the absence of sufficient American marine insurance the German companies were strong enough to furnish needed competition for American business against British companies. Immediately this German competition was prohibited, American companies seeking cover for large lines had to rely upon British companies for reinsurance. These at once quoted prohibitive rates, in one instance of which I was informed, as high as 10 per cent, where the contracts of American

companies were based on a rate of $2\frac{1}{2}$ per cent. This was followed by an advance of 10 per cent on all English hull insurance written in London. When the American Association of Marine Underwriters proposed that the same advance be made on American hulls written in New York and London markets (to compensate in part for the greatly increased cost of repairs) the London Board of Control declined on the ground that it was "inexpedient." Yet at the same time American ship-owners could, it was credibly stated, get lower rates on hulls by going direct to British offices in London than they could get from those same companies through their American branches. The result was that considerable hull business was transferred to London at a loss to American offices and interests. This was done at a time when the shipping involved was rendering important service to Great Britain and her allies, and so indicated the undeviating business purpose to prevent the growth of marine insurance in the United States.

These instances of control against our interests could not have been carried through but for the fact that Great Britain possessed the banking and shipping facilities that rendered the use of her insurance not only desirable but profitable. Without the use of all three the use of one may be had only at rates just less than prohibitory, if not entirely so. I am not criticizing the British companies for controlling the business, but quote the fact in illustration of the power of insurance for national protection wherever it can be exercised—both in peace and war.

There are no available statistics of ocean marine insurance. The great bulk of it has been written by British stock companies and by individual underwriters at Lloyds, London. There the details of such operations are trade secrets, reports, if any, being made in con-

fidence subject to test by a committee of the Board of Trade and by audit of Lloyds. Thus their volume is a business secret in the keeping of business committees, and combined trade balances only are made public. For similar reasons there is an absence of analytical reports of the insurance of most other nationals. In the United States comprehensive statistics are kept by most classes of the business transacted in this country. But even here the inland marine transactions are combined with the ocean marine, so there are no specific returns of the latter. In the United States for the past three calendar years the combined inland and ocean marine premiums were reported as follows:

1914.....	\$32,114,926
1915.....	47,418,071
1916.....	70,663,999

NOTE—These figures apply only to business written and reported to New York. Marine underwriters estimate a volume of premiums equal to one-third of those reported as being written abroad on American business by British and other foreign companies and Lloyds admitted to do business here, but making no reports of the same here and thus avoiding taxation. The law cannot reach out and require compliance in Europe. With that estimate addition the approximate actual figures would be for 1914 about \$43,000,000, for 1915 about \$65,000,000, and for 1916 about \$94,000,000.

These increases represent the increased values and rates of American business carried during the war. An analysis of the premiums reported and unreported distributes them as follows:

1914		
	Reported	Unreported
23 American companies	\$18,974,216	
19 British companies.....	8,808,245	\$9,634,478
13 other foreign companies..	4,332,465	1,070,497
—		
55 Total.....	\$32,114,926	\$10,704,975

1915			
		Increase %	
23 American Co.'s....	48	\$28,071,557	
19 British Co.'s.....	45	12,851,204	\$14,225,421
13 other foreign Co.'s.	50	6,495,310	1,580,602
—			
55 Total.....		\$47,418,071	\$15,806,023
1916			
		Increase %	
23 American Co.'s....	47	\$41,208,085	
19 British Co.'s.....	38	17,712,774	\$21,199,200
13 other foreign Co.'s.	82	11,743,140	2,355,466
—			
55 Total.....		\$70,663,999	\$23,554,666

When the amount (one-third) of unreported business written by foreign companies is considered it will be seen that the premium increase of British companies was far greater than all the others.

It will be noted by casual analysis of these figures that American companies write a little more than half the United States marine business and, when the unreported writings are considered, less than half. This has been due to the lack of American bottoms and lack of prestige of American insurance connections abroad. There is more than this to be considered, however. A considerable share of the ocean marine premiums written and reported by American companies comes from the reinsurance of excess lines written by British companies abroad on great tonnages carried in one vessel. It would be quite fair to assume, therefore, that only one-third of reported American business is written by American companies—a share wholly inadequate under any sound theory of financing American business.

In a tentative way, in the absence of specific statistics, and considering normal apparent tonnages as a basis,

I do not hesitate to estimate the ocean marine premium of the world at between \$250,000,000 and \$300,000,000 a year. With the establishment of a sufficient merchant shipping to carry our share of the world's trade and the expansion of banking facilities to support it, there is little reason to doubt that American insurance can divide two-thirds of the premiums with Great Britain. In other words, an annual premium of something like \$100,000,000 or more—an increase to that sum from pre-war normal receipts of some \$18,000,000 to \$25,000,000 by American companies—is to be expected as the American goal in a reasonable time, say three or five years, provided the banking and shipping facilities are supplied to create and maintain the trade. The sooner these three factors are supplied the better it will be for them and for the future commercial strength of the country. The present activity in building ships; in organizing and training the national army; the demand on the United States for supplies that other countries need—all these are creating an atmosphere of national inspiration and pride which can and should be encouraged and made permanent for the realization of American industrial, commercial and political supremacy. Some one nation must always be dominantly the arbiter of international requirements, as Great Britain has been for more than a hundred years. It is suggested that now is the time for the United States to begin to forge to the front—a time when, through no fault of ours, the way has been opened wide to the active brain, the strong heart and the powerful resources of the young nation.

As far as ocean insurance is concerned there is already a large premium income secured to the proper organization when made.

But this is not all. This is only the proposition as it

applies to the opportunities in marine insurance, in which large profits have always been made after allowing for the years of depression. By proper organization there is also a great opportunity in the expansion of fire insurance already created with profitable returns, having endowments of capital and asset securities already established which will serve at once to strengthen banking and shipping facilities.

The United States is the largest and richest fire insurance field in the world. Premiums collected here and in Canada (an open territory) probably exceed those of the rest of the world combined. So great and inviting is this field that all the large companies of other nations are domiciled here with independent branches for writing business direct and by reinsurance. These foreign companies numbering 80 in 1914 and 1915, and 83 in 1916, collected American premiums, fire and marine, as follows:

1914.....	\$120,951,991
1915.....	127,345,691
1916.....	149,894,770

These are not all the premiums written here by these companies. For some years foreign companies, more particularly British, have been organizing and purchasing other companies already organized under American laws, which they operate as companies of the United States. This is done with money of the home offices, the use of which is permitted by British law although the similar use of funds is practically forbidden to American companies by the laws of many states. Such combination and interlocking is fostered by the business of Great Britain. They cannot use the funds of their American branches for this purpose, but they borrow the money here or send it over and so have gradually been increasing and strengthening their hold upon American

fire and general insurance. There are half a dozen such companies writing fire insurance, collecting some \$12,000,000 of premiums, which are reported and tabulated as premiums of American companies, whereas their net collections are ultimately covered into the foreign treasuries of the companies owning them. The annual premiums taken by foreign companies in fire insurance in the United States in 1916 was, therefore, in round figures \$161,000,000.

As against this volume by 83 foreign companies, 217 American companies collected premiums of \$294,242,296, less the \$12,000,000 concealed under the American entitlement of foreign-owned companies. That is, of \$444,000,000 of total net fire premiums collected, foreign (principally British) companies wrote 36 per cent of them. Many of these British companies have organized and are now also purchasing liability, casualty and workmen's compensation companies and by putting into the hands of their agents general lines of insurance facilities they will be able to accommodate and supply every demand for insurance. This, if not checked or met by counter-supply from American interests, will give British competition in world's trade an advantage wherever the necessities of insurance protection and banking credit arise.

These activities and extensions of British companies are thus particularly pointed out and explained not in jealousy, but in admiration, as being flexible and powerful models both for the creation and protection of British trade. The United States cannot compete with Great Britain in foreign trade without means ultimately to be made at least equal in adaptability and strength.

For nearly a century British companies have been operating in the United States, most of them rendering good service to the public. They have made good profits

out of it—more, usually, than the American companies make, because of their advantage in being able to operate under various forms with one overhead and directing charge (denied to American companies) added to the superior liberality of British insurance laws in general. The suggestion arises that if the British laws are admirable enough in their liberality to be sound for the protection of American policyholders, then the United States should adopt equally liberal laws and thus enable American companies to compete without handicap.

So also British and all foreign companies have greatly profited here by these singular facts: That the United States, while enforcing with respect to its import *commerce* the principle of a protective tariff, has abandoned its entire home *insurance* fields—so rich in values and opportunities—to the principle of free trade. At the same time under the numerous restrictive state laws for the regulation of interstate insurance (having the effect of a protective tariff on insurance between the states) American companies have been securely bound against engaging in free trade world's insurance. This is doubly economic suicide, since it prohibits us from competing with foreign countries to protect our own insurance as well as to obtain an exchange share of theirs. Yet, unless American insurance capital can accompany American banking and shipping the extension of American commerce will be exposed constantly to serious limitation and failure.

NOTE.—In this connection attention is called to H. R. 2316, the Webb-Pomerene Bill, which has passed the House of the present Congress and is now privileged and pending in the Senate. It permits the association or joint agreement of corporations for export trade purposes without violation of the Sherman Act. It has received the approval of the Chamber of Commerce of the United States and is vitally necessary for the building up of export trade. It should be amended to include, or a separate bill should be enacted to give to American stock insurance companies exactly the same privileges after registry or license by the Federal Trade commission, to co-operate

with producing and trading corporations in the export trade and to the same extent relieve them from violation of state laws concerning purely domestic insurance.

Now we come to the very ultimate crux of the economic proposition. American companies under ordinary conditions are now able to carry the whole of American fire and general insurance, just as we actually do our own life insurance, in which the foreign influence is not perceptible. But in years of disastrous losses, such as 1871-2 in the Chicago and Boston conflagrations, and 1906 in the San Francisco fire (when American companies were less strong), these foreign companies contributed materially to relieve the economic pressure. In 1906 they paid their San Francisco losses largely out of funds sent over from their home offices without disturbing the funds of their American branches. It is calculated that funds to an amount between \$40,000,000 and \$60,000,000 were thus imported and to that extent the great losses were immediately distributed over the world instead of being laid upon the United States alone. The funds thus imported have since been recouped, but the burden was none the less eased off. It was far-seeing business ability to take such a step and the British companies acted with one accord, as they always do.

There is an undoubted economic demand for the world wide distribution of these vast conflagration losses, coming as they do, unexpectedly and suddenly. As long as the danger remains the means for world-wide distribution of the effects should exist. The point is, why should the United States with its abundant capital—presenting in itself the richest fire insurance field in the world—have to resign the distribution of its infrequent disastrous losses to Great Britain at the cost of the annual exploitation of this field to the extent of nearly 40 percent of the income from it, which is steadily increasing annually? The statistics that have been quoted above

apply only to stock companies, 305 in all, and only to net premiums. In the same year these stock companies, mutual companies and Lloyds wrote in the United States gross premiums of about \$680,000,000, of which \$507,523,636 was net. It is this vast field in which cash assets of \$748,426,446 are employed by American stock and mutual companies, that is being headed towards control and has its world distribution directed by invested foreign assets here of only \$217,432,715.

NOTE.—The figures concerning American fire insurance herein quoted are taken from the Spectator Year Book of Fire and Marine Insurance for 1917, the authoritative publication of American insurance statistics.

It must not be forgotten that the United States is in return accepting and discharging its full share of such distributing responsibilities. More, perhaps, because through the volume of business written here by foreign companies the fire insurance of the world is mainly financed. "The Insurance Field," heretofore quoted, contained August 2 this statement, which errs a little, if any, on the side of conservatism:

"The London 'Times' in a recent review of fire insurance for 1916 shows that seventeen British companies took total premiums throughout the world that year of \$135,600,000 in round figures. Of this total their American branches collected \$72,200,000 in the United States, leaving the intake from the rest of the world, including the British colonies, South America and the Orient \$67,400,000. That is 53 percent of the world's premiums of these companies were collected in the United States. The British are great world's merchants of business, and push their enterprises wherever their navy reaches and their banking and shipping influences extend. But there was collected in the United States alone in 1916 \$444,000,000 in premiums."

The American premiums of these 17 British companies were probably \$81,000,000, and were therefore nearer

60 per cent of their world premium than 53 per cent.

The obvious economic duty of the United States, and the opportunity of American capital is to use and direct this vast field of income for its own internal strengthening and to effect its own world-wide distribution, in which it has the greatest share, and from which good profits arise.

The establishment of ocean marine insurance in connection with banking and shipping is the open gateway to ultimate fire insurance control. With the exception of a few offices in Canada, Mexico, and Cuba, no American insurance company that I know of is represented or entered in any foreign country of the world either for fire or marine business. It is not for lack of enterprise or talent. American life insurance companies at one time successfully contested the principal foreign countries for business. They wrote business in Great Britain, France, Germany, Italy, Spain and Russia alongside the native companies. Hostile laws eventually compelled their withdrawal. Similarly many years ago one or two American companies undertook to establish a branch in London for British fire insurance, as the Insurance Company of North America afterwards undertook to do for its marine department. In both instances the undertaking came to nothing for various reasons. Principal among them was the fact that the ramifications of property interests covered under fire insurance (unlike life insurance) are so involved that in the absence of banking and shipping alliances there was no way of creating business prestige, and when to this was added the unwillingness of Europeans to buy from any foreigner that which they can purchase from their own countrymen representing their own institutions, such offices were closed and no American fire insurance company has since been known in Europe.

With the establishment of banking, shipping and ocean marine insurance having fire insurance powers these obstacles can be removed. In every port and center the commercial and other property connections radiate from the large shipping interests, so that the prestige of American ocean insurance through banking and shipping would tend steadily to the extension of fire insurance to property. In that way, in time, the distribution of American losses throughout the world would come to be achieved through American channels instead of through foreign channels.

I am not attempting to intimate that these ends can be easily or quickly accomplished. They can only advance toward full accomplishment with the creation and success of the banking and shipping factors. Of the rate at which these may advance you have your own sources of knowledge. The insurance factor, will, however, hasten and tend greatly to secure the success of the others. In the meantime, by proper organization there is already a profitable and constantly growing investment in hand in the insurance incomes already established, with assets founded upon the highest class of securities.

In conclusion, there are two practical points to be noted:

1. There is underwriting talent in the United States wholly capable of working out the aims suggested above.
2. The plan does not contemplate destructive competition with foreign companies in marine insurance rates. There would be no wisdom in such a course. Nor does it contemplate merely building up marine insurance for the profit in that activity. The purpose is to provide co-operation between American banking, shipping and insurance that will furnish facilities capable

of supplying the needs of our national interests in the colossal struggle for the world's trade after the present war. With these facilities supplied a great and steady growth is certain—without them failure in the end is equally certain.

THE AMERICAN EAGLE ON THE
UNITED STATES SHIELD AND COINS TYPIFIES THE
PROTECTION AFFORDED BY THE GOVERNMENT



THE
American Eagle Fire Insurance Co.
of New York

A strong AMERICAN Company
Backed by AMERICAN Assets
Managed by AMERICANS Offering
Protection for AMERICAN Property
Against FIRE, LIGHTNING, WINDSTORM,
MARINE AND TRANSPORTATION LOSS
*Show your Americanism
By patronizing American institutions*

CASH CAPITAL	-	-	ONE MILLION DOLLARS
GROSS ASSETS	-	-	\$2,902,448
LIABILITIES	-	-	1,757,214
NET SURPLUS	-	-	1,145,233
POLICYHOLDERS SURPLUS	-	-	\$2,145,233

From Statement of January 1st, 1917

HENRY EVANS, President

Home Office
80 Maiden Lane
New York

Pacific Coast Dept.
Insurance Exchange Bldg.
San Francisco

PATRIOTISM



THE
CONTINENTAL SOLDIER
OF 1776

Typified the Spirit
That Stood for

Freedom and Liberty
YOU

Can Make a Patriotic
Stand for the Best Interests
of Your Country by
Patronizing

AMERICAN INSTITUTIONS
THE

CONTINENTAL (FIRE) INSURANCE CO.

OF NEW YORK

THE STRONGEST AMERICAN COMPANY
FOR 64 YEARS HAS CONTINUOUSLY STOOD FOR
SQUARE TREATMENT OF HONEST CLAIMANTS

FIRE INSURANCE AND ALLIED LINES
MARINE AND INLAND TRANSPORTATION
WAR RISK AND EXPLOSION INSURANCE

CASH CAPITAL	-	TEN MILLION DOLLARS
GROSS ASSETS	- - -	\$34,114,372
LIABILITIES	- - -	21,811,038
NET SURPLUS	- - -	12,303,333
POLICYHOLDERS SURPLUS	- -	\$22,303,333

From Statement of January 1, 1917

HENRY EVANS, President

Home Office
80 Maiden Lane
New York

Managing Branch Offices
Chicago, Montreal
San Francisco



THE FIDELITY-PHENIX FIRE INSURANCE CO.

OF NEW YORK

IS A STRONG AMERICAN COMPANY

It has ample resources safely invested in American securities
Its management is able, constructive and thoroughly
American

Its reputation for square treatment of honest claimants is
enviable

Its liability in congested centers is closely watched—It is
conflagration proof

FIRE INSURANCE AND ALLIED LINES
MARINE AND INLAND TRANSPORTATION

CASH CAPITAL	-	TWO-AND-A-HALF MILLIONS
GROSS ASSETS	- - -	\$19,324,466
LIABILITIES	- - -	12,203,733
NET SURPLUS	- - -	7,120,733
POLICYHOLDERS SURPLUS	- -	\$9,620,733

Losses paid since organization—over 112 Millions

From Statement as of January 1, 1917

BE PATRIOTIC

Cultivate the American spirit

Do business with our American institutions

HENRY EVANS, President

Home Office
80 Maiden Lane
New York

Managing Branch Offices
Chicago, Montreal
San Francisco

MSH 21458

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